

By fax: 2509 9159

CB1/PL/FA
2869 9244
2869 6794

6 July 2004

Chief Executive, Hong Kong Monetary Authority
(Attn: Mr Philip TSE)
55th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Mr TSE,

**Panel on Financial Affairs
Follow-up to meeting on 3 May 2004**

**Operating expenses of the Exchange Fund
and the Hong Kong Monetary Authority in 2003**

Thank you for your reply of 30 June 2004 on the above subject.

At the request of the Hon Emily LAU and with the concurrence of the Hon Ambrose LAU, Chairman of the Panel, I write to invite the Administration to consider the following views expressed by Ms LAU on your reply:

- (a) The Governance Subcommittee of the Exchange Fund Advisory Committee (EFAC), when conducting a review of disclosure of information in the context of the Hong Kong Monetary Authority (HKMA)'s Annual Report for 2004, should be invited to consider the request for disclosure of the information set out in my previous letter dated 30 April 2004 (*copy attached*);
- (b) The breakdown of the establishment and strength by department of HKMA by two categories, namely, senior staff and other staff, as set out in the Annex to your reply should be incorporated into HKMA's Annual Report in future; and

- (c) In connection with item (b) above, HKMA should also disclose the information on salaries and other staff costs by department and other departmental expenses.

I should be grateful if you would keep the Panel informed of the outcome of the review to be conducted by the Governance Subcommittee of EFAC and let us have the Administration's written response (in both Chinese and English) in due course.

Please forward the soft copy of the Administration's written response to Ms May LEUNG at mleung@legco.gov.hk.

Please note that unless you raise objection, the Administration's written response may be made available to the media and public and placed in the Library of the Legislative Council. It may also be made available on the Web Site of the Council on the Internet.

Yours sincerely,

(Miss Salumi CHAN)
Clerk to Panel

Encl.

c.c. Hon Ambrose LAU Hon-chuen, GBS, JP
Chairman of the LegCo Panel on Financial Affairs

Mr Henry TANG Ying-yen, GBS, JP
Financial Secretary
(Fax: 2840 0569)

Mr Frederick MA Si-hang, JP
Secretary for Financial Services and the Treasury
(Fax: 2147 3873)

By fax: 2878 1396

CB1/PL/FA
2869 9244
2869 6794

30 April 2004

Chief Executive, Hong Kong Monetary Authority
(Attn: Mr Edmond LAU)
55th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Edmond,

**Panel on Financial Affairs
Meeting on 3 May 2004**

Briefing on the work of the Hong Kong Monetary Authority

Thank you for the paper provided this morning on the Hong Kong Monetary Authority (HKMA)'s operating expenses in 2003. At the request of Hon Emily LAU, I write to invite HKMA to provide the following information to facilitate the discussion at the Panel meeting to be held on 3 May 2004:

- (a) According to the paper provided, the Exchange Fund Operating Expenses (EFOE) cover not only the operating expenses of the HKMA, but also market expenses and non-cash accounting items. Market expenses cover costs related to the investment process of the Exchange Fund, including trading and custodian costs and fees for the external managers. Please provide:
 - a breakdown of the EFOE by item; and
 - a breakdown of the market expenses by item.

- (b) While the establishment and strength of the HKMA in 2003 are provided in Annex 2 of the paper, the following information previously requested by Hon Emily LAU are still outstanding:
 - a breakdown of the establishment and strength by department by two categories, namely, senior staff and other staff;
 - salaries and other staff costs by department;
 - other departmental expenses; and
 - total expenditure on salaries and departmental expenses by department.

- (c) In the footnote of Annex 2 of the paper, it is stated that the 604 posts in 2003 include 21 posts returned from the Exchange Fund Investment Limited in 2003. Please provide the background of this staff arrangement.

I should be grateful if you would provide the requested information at your earliest convenience.

Yours sincerely,

(Miss Salumi CHAN)
Clerk to Panel

c.c. Hon Ambrose LAU Hon-chuen, GBS, JP (Chairman)

Hon Emily LAU Wai-hing, JP

Mr Osbert LAM, Senior Manager/HKMA (Fax: 2509 9159)